ATTORNEY GENERAL'S FIRST SET OF
DOCUMENT AND INFORMATION REQUESTS TO VERIZON

1. Supply any recent estimates Verizon has of industry level and/or firm level own-price elasticities of demand, split by business and residential and for business and residential aggregated, for any of: access lines, local calls, local call minutes, the bundle of access lines and local calls, intra-LATA calls, intra-LATA call minutes, inter-LATA calls, inter-LATA call minutes, international calls and international call minutes.

2. Does Verizon consider it likely that industry level own-price elasticities of demand, split by business and residential and for business and residential segments aggregated, for any of intra-LATA calls, intra-LATA call minutes, inter-LATA calls, inter-LATA call minutes, international calls, and international call minutes, anywhere within a plus or minus 30% range of current prices and allowing for a 12 month or greater of adjustment, are likely to exceed 50 in absolute value? If so please indicate which services and the circumstances as to when it is likely in your view that their elasticities are or would exceed 50.

3. Does Verizon consider it likely that industry level own-price demand elasticities, split by business and residential and for business and residential aggregated, for access lines, local calls, local call minutes and access lines bundled with local calls, anywhere within a plus or minus 30% range of current prices and allowing for a 12 month or greater period of adjustment, are likely to be less than 0.001 in absolute value? If so please indicate which services and the circumstances as to when you view any of these elasticities are or would be less than 0.001.

4. What percent of customers who will face a $1.90/month increase in access fees customers does Verizon estimate will drop service due to the prices rise? Is it correct that 2 million customers will face a $1.90/month increase in access fees under the tentative ruling?

5. What percent of customers who will face a $2.37/month increase in access fees does Verizon estimate will drop service due to the price rise? Is it correct that 750,000 customers will face a $2.37/month increase in access fees under the tentative ruling?

6. In Verizon's view, is it likely to be economically efficient, when pricing multiple outputs which incur a set of shared costs, such as access, local and long distance call service, to set the price of all outputs, except for one, equal to the marginal cost of those outputs, and price the remaining output so as to recover all the shared costs? If prices in practice were set this way for Verizon's own services in Massachusetts, is it possible that such prices could be economically efficient and if so what conditions would need to hold for this to be true? Is it likely any conditions sufficient to make such prices economically efficient presently hold in Massachusetts (or are likely to hold in Massachusetts in the foreseeable future)?

7. In Verizon's view, is it likely to be economically efficient, when pricing multiple outputs which incur a set of shared costs, for the price of a subset of outputs to exceed total shared costs plus their own marginal costs? In Verizon's view, under what circumstances would it be economically efficient to price in this way? For example, assume in Massachusetts that the sum of prices for Verizon's access and local calls (or the price for the bundle, access and local calls) exceeds total costs common to access and local calls and other telephony services plus the marginal cost of access and local calls. Under what circumstances would this be economically efficient? Is it likely any circumstances sufficient to make such prices economically efficient presently hold in Massachusetts (or are likely to hold in Massachusetts in the foreseeable future)?

8. In Verizon's opinion, can economically efficient prices for a subset of services that share costs with a wider range of services, be simply gauges by asking whether the prices of the subset of services lie between the incremental and stand alone costs of the subset of service? For example, can it be efficient, where there are shared costs:
    1. If all services are priced at incremental costs, so full cost recovery is not achieved (since no service makes any contribution to shared costs)?
    2. for total revenues earned to exceed total costs even though all individual prices lie above incremental cost and below stand alone cost? If so, is it likely any circumstances sufficient to make such prices economically efficient presently hold in Massachusetts (or are likely to hold in Massachusetts in the foreseeable future)?